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AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

Issued September 22, 1939

THE FARM PROGRAM AND COTTON MARKETING QUOTAS IN 1940

For the last two seasons cotton producers have used marketing quotas in conjunction with the Agricultural Conservation Program. On Saturday, December 9, 1939, they will vote on whether they want marketing quotas for the 1940 cotton crop.

Quotas may be used to forestall further increases in our already large cotton supply and to protect the markets of farmers who plant within their acreage allotments. Unrestricted marketings tend to defeat the efforts of those trying to adjust to demand the amount produced and sold.

Marketing quotas can be authorized only when the supply of American cotton is more than seven percent above normal. For 1939-40 the normal supply, as defined by law, would be approximately 18.2 million bales, while the actual supply is 26.3 million bales. This is more than 44 percent above normal. The world supply of foreign growths of cotton is also abnormally large.

The Secretary of Agriculture has proclaimed marketing quotas for 1940 but the quotas cannot remain in effect unless two-thirds of the cotton farmers voting by secret ballot in the December 9 referendum give their approval. All farmers who produced cotton in 1939 are eligible to vote.

In order to have a clear understanding as a basis for voting in that referendum, it is necessary that cotton farmers understand the cotton situation and how they would be affected by marketing quotas.

So far as the cotton figures we normally consider are concerned, the factors of supply, carry-over, production, and consumption are essentially the same as last year. (See table No. 1, Page ____). But a brand new factor -- the war in Europe -- must be considered in getting a true picture of the current cotton situation.

The best guide we have as to what is likely to happen to cotton as a result of the European developments is the experience we had during the World War. Most people remember the high cotton prices that prevailed during the latter years of the World War but how many remember how cotton lagged behind the general commodity price level for over two years after the outbreak of that war? Just before the opening of hostilities in 1914, cotton prices were about 12.5 cents a pound. When the exchanges were closed (August 1 -- November 17, 1914), prices dropped with the diminished market to nearly half this level. It was two full years after the war began before domestic prices recovered to the levels existing immediately before the war.

Our cotton crop in the United States this year, 1939, was held to approximately 12.1 million bales, (running bales) due to the fact that most farmers cooperated in the farm program and planted within their acreage allotments. However, the world carry-over of 14.2 million bales of American cotton resulting largely from the record 19 million bale crop of 1937 still hangs over the market.

The possibility that the cost of food and feed products eventually may increase further because of the war will make it all the more imperative for farmers to produce their own needs at home. Soil conservation practices which result in higher yields per acre will enable farmers to add to their income by lowering the cost of production of such "cash" crops as cotton, as well as the production costs of food and feed for home use.

As all of these related factors need to be studied if farmers are to vote with a clear understanding in the marketing quota referendum, this Question and Answer leaflet endeavors to treat each briefly.

COTTON AND WAR

Q. What effect did the World War have on the cotton situation of that period?

A. When the World War started in August 1914 the United States was in the midst of harvesting a 16-million bale cotton crop -- the largest the nation had ever produced up to that date. The war demoralized foreign trade. In spite of the ample supply, our cotton exports decreased. They dropped from 9.2 million bales in 1913 to 8.5 million bales in 1914, went down to 6.2 million bales in 1915, and finally hit a war-time low of 4.3 million bales in 1917. It was not until 1926, eleven years after the outbreak of the World War, that cotton exports went above the 1913-14 level. That is what happened to our exports at a time when most foreign countries were dependent upon the United States for the bulk of their cotton supplies. The increased need for cotton brought about by military operations apparently fell far short of making up the loss we suffered by the disruption of the regular channels of cotton consumption. Since the World War, many foreign countries have encouraged the domestic production of cotton. As a result, there are approximately 50 million bales of cotton in the world today, a supply more than ample to meet prospective demand. More than half of this huge supply was produced in foreign countries. In 1939, for example, foreign countries will produce approximately 16 million bales, compared to the 12 million bales produced in the United States. In addition, since the World War, scientists have successfully developed synthetic fibers which are widely used as substitutes for cotton. The price action of cotton during the World War, as compared with other commodities, demonstrated that cotton is not what is generally considered a "war commodity" like copper or steel. Cotton growers suffered severely in 1914-15 for lack of any way to prevent price collapse. They had no marketing quotas or loan system at that time to enable them to store products until needed and consequently they sacrificed surplus cotton on glutted markets.

THE COTTON SITUATION

Q. How does the present supply and consumption of cotton compare with that of previous seasons?

A. The following table shows the present situation as compared to that of last season and the previous 10-year average. (The supply is made up of the carry-over at the beginning of the season plus the current crop.)

Table 1.--Cotton Situation^{1/}

Item	1939-40 ^{2/}	1938-39	Average during the 10 years, 1928-29 to 1937-38
	<u>Million bales</u>	<u>Million bales</u>	<u>Million bales</u>
I. <u>Supply:</u>			
World supply of <u>all</u> cotton.....	50.0	50.5	41.4
World supply of <u>American</u> cotton.....	26.3	25.5	21.9
a. <u>Carryover:</u>			
World carryover of <u>all</u> cotton.....	22.0	22.6	14.3
World carryover of <u>American</u> cotton..	14.2	13.7	8.3
b. <u>Commercial production:</u>			
World production of <u>all</u> cotton....	28.0	27.8	27.1
Production of <u>American</u> cotton..	12.1	11.8	13.7
Item	1938-39	1937-38	Average during the 10 years 1928-29 to 1937-38
	<u>Million bales</u>	<u>Million bales</u>	<u>Million bales</u>
II. <u>Consumption:</u>			
World consumption of <u>all</u> cotton.....	28.5	27.9	25.8
World consumption of <u>American</u> cotton.....	11.3	10.9	12.8

^{1/}American cotton in running bales, foreign cotton in equivalent 478 pounds net weight bales.

^{2/}Tentative estimates.

Q. What has been the effect of large supplies on price?

A. In general, large supplies of cotton mean low prices, and low supplies mean high prices. The supply is made up of the carry-over at the beginning of the season, plus the current crop. Even with a normal crop, a large carry-over results in a large supply and low price. This is the 1939-40 situation.

Q. How did the income and purchasing power of the 1938-39 cotton crop and the crops grown since the farm programs started compare with that of the previous seasons?

A. The cash income from the cotton crop in 1938-39 (including payments) was practically equal to that from the average crop from 1909-13; and the 1938-39 crop, including government payments, would buy approximately 80 percent as much as the average 1909-13 crop. The cash income from cotton and cottonseed, including government payments, for the 6-year period during which the farm program has been in operation (1933-38, inclusive) was nearly twice the cash income farmers received for the 1932 crop. The purchasing power of the cotton crop, including payments, for the same 6-year period averaged 82 percent of parity, whereas the purchasing power of the 1932 crop was only 48 percent of parity.

WAYS TO HELP

Q. What can we do to improve our present cotton situation?

A. There are three possible ways of improving our cotton situation. We can increase our exports of cotton to foreign countries; we can increase consumption of cotton in our own country; and we can adjust the production and marketing of American cotton so as to bring our supply more nearly in line with demand. Progress is being made along all three lines of action. A determined effort is being made on a long-time basis to restore foreign cotton trade through the reciprocal trade agreements program, which recognizes the basic fact that a nation must buy if it expects to sell. In addition to the trade agreements program, an intensive export program was inaugurated on July 27, 1939, in an effort to increase our cotton exports and regain and hold our fair share of the world's markets. Federal and State governments are conducting experiments to develop new uses for cotton in an effort to increase our domestic consumption. Some of these new uses will undoubtedly result in increased consumption of cotton. Four research laboratories, one of which will be particularly concerned with the problem of expanding the uses of cotton, are now being built. Our expenditures for the aid of unemployed persons have made it possible for the low income classes of this country to continue to purchase cotton clothing, cotton blankets, cotton mattresses and other cotton products. Cotton producers are using the Federal farm program to adjust production and to hold marketings in line with demand.

Q. What have cotton producers done to help themselves?

A. They have demonstrated since the beginning of the Federal farm programs in 1933 their willingness and determination to cooperate in holding production and marketing in line with demand. Much of the land, labor, tools and cash that formerly went into the production of soil-depleting crops, such as cotton, have been released under the farm programs for use in the production of soil-conserving and soil-building crops and food and feed crops for home use.

The conservation practices encouraged by the farm program have been used to improve the soil and to lower production costs by increasing yields per acre. For example, the average yield of cotton per acre for the 10-year period ending in 1932 was 170 pounds. In the 1933-38 period, it was 212 pounds, an average increase of 42 pounds per acre. Of course, some of this increase came about because the best land was used for cotton and because of better cultivation, but soil-building also played an important part. The reduction in cotton acreage itself has promoted the conservation of soil, since land is diverted from soil-depleting to soil-conserving crops. The reduction in cotton acreage has been accompanied by large increases in the acreage of soil-conserving crops. Last year the acreage of such crops in the Cotton Belt was five times as large as in 1930. The acreage planted in Austrian winter peas and vetch in the fall of 1938 was four times as great as such acreage in the fall of 1932. In addition, hundreds of thousands of acres have been protected by carrying out soil-building practices such as terracing, strip cropping and ridging. If the terraces on cropland and ridges on pasture land that were run in 1938 in the Southern Region alone could be put end to end, they would go around the world three times at the equator. As a result of crop diversification, soil improvement, and better seed, the per acre yield of cotton has increased substantially and the cost of producing cotton has been reduced. Cotton farmers have joined wholeheartedly in this cooperative effort to make a better living from the soil. During 1938 and 1939, more than 90 percent of all cotton growers in the Southern Region participated in the program.

Outstanding examples of cooperation among cotton farmers have been the two votes on marketing quotas. For both the 1938 and 1939 crops, marketing quotas were approved by more than 84 percent of the cotton farmers voting. It is now up to cotton farmers to again decide whether they want to continue to use marketing quotas to aid in gradually bringing the supply and marketings back to normal. Quotas will not be in effect on the 1940 crop unless at least two-thirds of the cotton producers who vote on December 9 are in favor of them.

HOW QUOTAS OPERATE WHEN IN EFFECT

Q. What is the marketing quota of a farm?

A. The marketing quota of a farm is the producer's share, under a law, of the market available for American cotton. The quota is calculated for an individual farm on the basis of (1) the normal or actual production (whichever is the greater) of the cotton acreage allotment, plus (2) any cotton on hand from a previous crop that would not have been subject to a penalty if it had been sold in 1939.

Q. If the 1940 cotton acreage allotment is not exceeded, will any penalty be incurred?

A. No. The farmer who stays within his acreage allotment can sell all of the cotton he produces without penalty. However, if any penalty cotton from a previous year is marketed in excess of the 1940 quota for the farm, this penalty cotton would be subject to penalty.

Q. Do marketing quotas affect the acreage allotment or the normal yield of a farm?

A. No. The acreage allotment and the normal yield established for a farm will be the same regardless of whether marketing quotas are in effect. The normal yield is established on the basis of actual yields during the past five years.

Q. Will quotas apply to all cotton?

A. Quotas will apply to all cotton except that with a staple 1-1/2 inches or more in length and except cotton grown by publicly owned Experiment Stations for experimental purposes only.

Q. What provision is made for a review of a producer's marketing quota when it seems unfair to him?

A. The producer may appeal to a review committee. The committee is made up of farmers who are not members of the committee which established or reviews the farm acreage allotment. It is the duty of the review committee to examine the method of establishing the quota, to see that the quota was established according to the provisions of the law.

Q. If marketing quotas are in effect for 1940, will they be applicable to States, counties, and communities where the favorable vote was less than the required majority?

A. Yes. The cotton problem is a national problem and cannot be confined to any State or locality. Consequently, quotas, if voted into effect, will apply wherever cotton is produced.

COTTON ACREAGE ALLOTMENTS

Q. What is the national cotton acreage to be allotted in 1940?

A. Approximately 27 or 28 million acres, about the same as in 1938 and 1939.

Q. If 27 million acres of cotton are planted, how many bales may we expect?

A. About 12 million bales, with average yields for the past five years (214 pounds lint). The production estimated on September 1, 1939, on about 25 million acres is 12.4 million bales (500 pounds), with an estimated yield this year of 245 pounds, which is far above the 5-year average.

Q. After the national cotton allotment has been divided among States and counties, how will the county allotments be apportioned to individual farms?

A. The same method used in establishing cotton allotments for 1939 will be used in 1940. The cotton allotment for each farm is a fixed percentage -- uniform for the county or administrative area -- of the farm's cropland, excluding the acreage normally devoted to the commercial production of tobacco, wheat, rice, and sugarcane for sugar, with certain exceptions and special provisions as follows:

1. Farms for which the allotment would otherwise be 5 acres or less will have an allotment of either the smaller of 5 acres or the highest cotton acreage planted and diverted in 1937, 1938, or 1939.
2. No allotment will be larger than the highest cotton acreage planted and diverted in any of the past 3 years.
3. Regardless of other provisions, no allotment will be less than 50 percent of the 1937 planted and diverted cotton acreage, provided that no allotment is thereby increased to more than 40 percent of the farm's cropland.
4. A small reserve may be allotted to farms that would otherwise have an allotment of 5 acres or more.
5. A small acreage reserve is available for new cotton farms.

PAYMENTS AND PENALTIES

Q. What payments may cotton producers receive in 1940?

A. Producers who comply with the 1940 Agricultural Conservation program will receive conservation and price adjustment payments. The rates of these payments will not be affected by cotton marketing quotas.

Q. What will be the penalty for selling 1940 cotton in excess of the farm marketing quota, if quotas are approved?

A. Three cents a pound on the excess cotton sold.

Q. Do all farms have to pay the penalty on cotton produced in excess of the farm marketing quota?

A. No. The penalty does not apply to cotton produced on any farm in 1940 which has received a cotton allotment and on which the production in 1940 is 1,000 pounds of lint cotton or less. However, if the marketing quota is 900 pounds, and the farm produces 1,100 pounds, 200 pounds are subject to the penalty.

Q. Can a producer sell in 1940 any 1938 or 1939 penalty cotton without paying the penalty?

A. Yes; if he produces less than his 1940 quota. For example, if he has 10 bales of carry-over penalty cotton and his 1940 quota is 10 bales, but he produces only 4 bales in 1940, he may sell the 4 bales of 1940 cotton and as much as 6 bales of the carry-over penalty cotton without paying a penalty.

LOANS

Q. Does the program provide for cotton loans?

A. The present legislation provides that if marketing quotas are in effect, a loan will be made (1) if the average price of cotton on August 1, or any later date during the marketing year, is below 52 percent of parity or (2) if the August 1 crop estimate for cotton is greater than a normal year's domestic consumption and exports.

Q. Does the legislation provide for cotton loans if marketing quotas are rejected?

A. No. The legislation specifically provides that if quotas are rejected by vote of the producers, no loans could be available from the date the result of the referendum is announced until August 1, 1941.

Q. Who will be eligible for loans if they are made available?

A. Producers who do not knowingly overplant their cotton acreage allotments are eligible for loans on all the cotton they produce. Producers who knowingly overplant their allotments are eligible for loans only on cotton produced in excess of their marketing quotas and then at only 60 percent of the loan rate allowed cooperating producers.

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So far as the cotton figures we normally consider are concerned, the factors of supply, carry-over, production, and consumption are essentially the same as last year. (See table 1, p. 3.) But a brand new factor—the war in Europe—must be considered in getting a true picture of the current cotton situation.

The best guide we have as to what is likely to happen to cotton as a result of the European developments is the experience we had during the World War. Most people remember the high cotton prices that prevailed during the latter years of the World War but how many remember how cotton lagged behind the general commodity price level for over 2 years after the outbreak of that war? Just before the opening of hostilities in 1914, cotton prices were about 12.5 cents a pound. When the exchanges were closed (Aug. 1-Nov. 17, 1914), prices dropped with the diminishing market to nearly half this level. It was 2 full years after the war began before domestic prices recovered to the levels existing immediately before the war.

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A. When the World War started in August 1914 the United States was in the midst of harvesting a 16-million-bale cotton crop—the largest the Nation had ever produced up to that date. The war demoralized foreign trade. In spite of the ample supply, our cotton exports decreased. They dropped from 9.2 million bales in 1913 to 8.5 million bales in 1914, went down to 6.2 million bales in 1915, and finally hit a wartime low of 4.3 million bales in 1917. It was not until 1926, 11 years after the outbreak of the World War, that cotton exports went above the 1913–14 level. That is what happened to our exports at a time when most foreign countries were dependent upon the United States for the bulk of their cotton supplies. The increased need for cotton brought about by military operations apparently fell far short of making up the loss we suffered by the disruption of the regular channels of cotton consumption. Since the World War many foreign countries have encouraged the domestic production of cotton. As a result, there are approximately 50 million bales of cotton in the world today, a supply more than ample to meet prospective demand. More than half of this huge supply was produced in foreign countries. In 1939, for example, foreign countries will produce approximately 16 million bales, compared to the 12 million bales produced in the United States. In addition, since the World War, scientists have successfully developed synthetic fibers which are widely used as substitutes for cotton. The price action of cotton during the World War, as compared with other commodities, demonstrated that cotton is not what is generally considered a "war commodity" like copper or steel. Cotton growers suffered severely in 1914–15 for lack of any way to prevent price collapse. They had no marketing quotas or loan system at that time to enable them to store products until needed and consequently they sacrificed surplus cotton on glutted markets.

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made up of the carry-over at the beginning of the season plus the current crop.)

TABLE 1.—Cotton Situation ¹

Item	1939-40 ²	1938-39	Average during the 10 years 1928-29 to 1937-38
I. SUPPLY:	<i>Million bales</i>	<i>Million bales</i>	<i>Million bales</i>
World supply of all cotton-----	50. 0	50. 5	41. 4
World supply of American cotton-----	26. 3	25. 5	21. 9
a. Carry-over:			
World carry-over of all cotton-----	22. 0	22. 6	14. 3
World carry-over of American cotton-----	14. 2	13. 7	8. 3
b. Commercial production:			
World production of all cotton-----	28. 0	27. 8	27. 1
Production of American cotton-----	12. 1	11. 8	13. 7
II. CONSUMPTION:	<i>Million bales</i>	<i>Million bales</i>	<i>Million bales</i>
World consumption of all cotton-----	28. 5	27. 9	25. 8
World consumption of American cotton-----	11. 3	10. 9	12. 8

¹ American cotton in running bales, foreign cotton in equivalent 473-pound net-weight bales.

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Q. What has been the effect of large supplies on price?

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Q. What can we do to improve our present cotton situation?

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Outstanding examples of cooperation among cotton farmers have been the two votes on marketing quotas. For both the 1938 and 1939 crops, marketing quotas were approved by more than 84 percent of the cotton farmers voting. It is now up to cotton farmers to decide again whether they want to continue using marketing quotas to aid in gradually bringing the supply and marketings back to normal. Quotas will not be in effect on the 1940 crop unless at least two-thirds of the cotton producers who vote on December 9 are in favor of them.

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Q. What is the marketing quota of a farm?

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Q. If the 1940 cotton acreage allotment is **not** exceeded, will any penalty be incurred?

A. No. The farmer who stays within his acreage allotment can sell all of the cotton he produces without penalty. However, if any penalty cotton from a previous year is marketed in excess of the 1940 quota for the farm, this penalty cotton would be subject to penalty.

Q. Do marketing quotas affect the acreage allotment or the normal yield of a farm?

A. No. The acreage allotment and the normal yield established for a farm will be the same regardless of whether marketing quotas are in effect. The normal yield is established on the basis of actual yields during the past 5 years.

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A. Approximately 27 or 28 million acres, about the same as in 1938 and 1939.

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A. The same method used in establishing cotton allotments for 1939 will be used in 1940. The cotton allotment for each farm is a fixed percentage—uniform for the county or administrative area—of the farm's cropland, excluding the acreage normally devoted to the commercial production of tobacco, wheat, rice, and sugarcane for sugar, with certain exceptions and special provisions as follows:

1. Farms for which the allotment would otherwise be 5 acres or less will have an allotment of either the smaller of 5 acres or the highest cotton acreage planted and diverted in 1937, 1938, or 1939. (In a few counties, however, full exceptions under this provision cannot be made due to lack of available cotton allotment.)

2. No allotment will be larger than the highest cotton acreage planted and diverted in any of the past 3 years.

3. Regardless of other provisions, no allotment will be less than 50 percent of the 1937 planted and diverted cotton acreage, provided that no allotment is thereby increased to more than 40 percent of the farm's cropland.

4. A small reserve may be allotted to farms that would otherwise have an allotment of 5 acres or more.

5. A small acreage reserve is available for new cotton farms.

PAYMENTS AND PENALTIES

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A. Producers who comply with the 1940 Agricultural Conservation Program will receive conservation and price adjustment payments. The rates of these payments will not be affected by cotton marketing quotas.

Q. What will be the penalty for selling 1940 cotton in excess of the farm marketing quota, if quotas are approved?

A. Three cents a pound on the excess cotton sold.

Q. Do all farms have to pay the penalty on cotton produced in excess of the farm marketing quota?

A. No. The penalty does not apply to cotton produced on any farm in 1940 which has received a cotton allotment and on which the production in 1940 is 1,000 pounds of lint cotton or less. However, if the marketing quota is 900 pounds, and the farm produces 1,100 pounds, 200 pounds are subject to the penalty. In addition the penalty does not apply to marketing of cotton which has a staple of $1\frac{1}{2}$ inches or more in length.

Q. Can a producer sell in 1940 any 1938 or 1939 penalty cotton without paying the penalty?

A. Yes; if he produces less than his 1940 quota. For example, if he has 10 bales of carry-over penalty cotton and his 1940 quota is 10 bales, but he produces only 4 bales in 1940, he may sell the 4 bales of 1940 cotton and as much as 6 bales of the carry-over penalty cotton without paying a penalty.

LOANS

Q. Does the program provide for cotton loans?

A. The present legislation provides that if marketing quotas are in effect, a loan will be made (1) if the average price of cotton on August 1, or any latter date during the marketing year, is below 52 percent of parity or (2) if the August 1 crop estimate for cotton is greater than a normal year's domestic consumption and exports.

Q. Does the legislation provide for cotton loans if marketing quotas are rejected?

A. No. The legislation specifically provides that if quotas are rejected by vote of the producers, no loans could be available from the date the result of the referendum is announced until August 1, 1941.

Q. Who will be eligible for loans if they are made available?

A. Producers who do not knowingly overplant their cotton acreage allotments are eligible for loans on all the cotton they produce. Producers who knowingly overplant their allotments are eligible for loans only on cotton produced in excess of their marketing quotas and then at only 60 percent of the loan rate allowed cooperating producers.

1. The first thing I noticed when I stepped out of the plane was the fresh air. It felt like I had been in a bubble for hours.

2. The second thing I noticed was the view. The landscape below was a patchwork of green fields and small villages.

3. The third thing I noticed was the sound. The engine of the plane was still running, but it felt like it was a distant memory.

4. The fourth thing I noticed was the smell. The air smelled like a mix of earth and flowers.

Notes

5. The fifth thing I noticed was the feeling. I felt like I had reached a new world, one that was full of possibilities.

6. The sixth thing I noticed was the sight. The sun was setting, and the sky was a mix of orange and pink.

7. The seventh thing I noticed was the taste. The air tasted like a mix of sweet and salty.

8. The eighth thing I noticed was the touch. The ground felt like a mix of soft and hard.